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GENERAL

1. France objects to limited scope of "greater sanctions" statement on Korea:

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[REDACTED] French undersecretary for foreign affairs Maurice Schumann has made a strong complaint to Ambassador Dillon in Paris because Southeast Asia is not covered in the proposed statement by the sixteen powers with troops in Korea threatening greater sanctions in the event of renewed aggression following the armistice. He said that it would be "very difficult" for France to agree to any statement which did not include Indochina.

Schumann said that the absence of such a statement would be construed in France as an indication of lessening American interest in Indochina, and would greatly strengthen the arguments of those elements in the French assembly which favor reducing the French effort or withdrawing from Indochina.

Comment: France has been pressing for some means of connecting a Korean settlement with at least a warning against greater Chinese Communist aid to the Viet Minh.

2. Chinese Communists introduce new interpretation of Korean POW agreement:

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[REDACTED] Peiping's deputy foreign minister told the Swedish ambassador on 10 June that the phrase "neutral nations" in the prisoner of war agreement means only the members of the Neutral Nations Repatriation Commission (India, Sweden, Switzerland, Czechoslovakia, and Poland) and implied that these nations are obligated to admit prisoners who desire entry.

The United States has informed Sweden that the matter has neither been raised nor discussed at Panmunjom. Sweden will discuss the matter with India and Switzerland.

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[REDACTED]

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Comment: The terms of the 8 June POW agreement are sufficiently ambiguous to permit a Communist attempt to block a change in the prisoners' status. They specify that after 30 days of consideration by the political conference, the prisoners unwilling to be repatriated "shall be changed from the POW status to civilian status by declaration of the Neutral Nations Repatriation Commission" and that those who choose to go to "neutral nations" shall be assisted to do so by the commission.

SOVIET UNION

3. Comment on Melnikov ouster from Ukrainian party position:

L. G. Melnikov's removal as first secretary of the Ukrainian Republic follows a two-week-old Ukrainian press campaign directed against Stalinist Russification concepts and harsh economic policy. In this respect, it is a clear continuation of the new regime's ostensibly more liberal policy exemplified in such measures as the amnesty of civil prisoners and in a reduction in the MVD's power base.

The criticism of Melnikov makes it likely that he will also be ousted from his higher position on the All-Union party presidium. He was elected a full member of the presidium at the October congress and was retained as an alternate when that body was drastically reduced following Stalin's death. It may be that his ouster has resulted from a struggle between two possible factions in the Soviet leadership with Melnikov identified with a minority favoring continuation of Stalin's extreme emphasis on coercion.

4. Soviet high commissioner urges increased Western trade with East Germany:

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Soviet high commissioner Semenov expressed to the Belgian ambassador his interest in closer commercial relations

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between East Germany and Belgium, which need not include strategic goods.

He remarked that the new East German Politburo and government decrees are a good indication of a number of significant changes which are taking place.

Comment: This is a further illustration of the strenuous Soviet bloc attempt to increase trade with Western countries, in some cases with less insistence than before on the inclusion of strategic goods. Semenov's remarks illustrate the new atmosphere of conciliation and suggest that further moves along such lines will occur.

FAR EAST

5. Japan desires participation in postarmistice Korean political conference:

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Foreign Minister Okazaki has indicated Japan's desire to participate as a member or an observer in the political conference following a Korean armistice. When informed that Japan's nonbelligerent status and South Korea's opposition seemingly preclude participation, Okazaki suggested that Japan's interest in the future of Korea and its provision of bases and facilities for UN operations should qualify it for at least observer status.

The government's position is also supported by both the Progressive and Rightist Socialist parties.

Comment: Japanese officials have previously expressed their frustration over Japan's exclusion from Far Eastern decisions of the Western powers which involve vital Japanese interests. Premier Yoshida proposed in mid-February that a tripartite conference between the United States, Great Britain and Japan should be held to discuss major Far Eastern issues.

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6. Japan moving toward expansion of relations with Communist bloc:

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The Japanese government has recently reversed several anti-Communist administrative policies, thus indicating a growing trend toward placing its relations with Communist-bloc countries on the same basis as those with other nations and toward expanding orbit trade to the maximum permissible limits. Significant policy changes include granting passports to delegates to a Communist conference, admitting Soviet technicians to supervise ship repairs, and issuing a public statement that the government is considering sending a trade representative to Peiping.

The American embassy comments that sentiment for expanding relations with the Communist bloc once the Korean war ends has broad political support and should not be underestimated.

Comment: Japan has hitherto maintained a higher level of export control on trade with Communist China than any other major country except the United States and Canada.

7. British freighter apparently violated restrictions on China shipping:

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The British ship Taichungshan, en route from Swatow to Tientsin when intercepted on 24 May by a Nationalist gunboat, was carrying, among other cargo belonging to the People's Bank of Swatow, 12 tons of steel, 53 empty POL drums, and 337 empty oil drums.

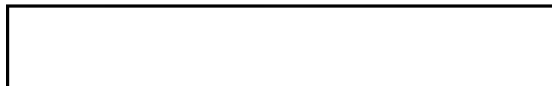
Comment: The British voyage-licensing system adopted on 31 March in Hong Kong prohibits British vessels from carrying semifinished and finished iron and steel items to or between Chinese Communist ports.



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8. Diminution of anti-American propaganda in China noted:

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The Swiss consul general at Shanghai, who left that city in late May, reports a marked diminution of anti-American slogans beginning last April. The American consul general in Hong Kong, noting that an absence of

such slogans was also reported by witnesses of the May Day parade in Peiping, comments that this development is probably due to Peiping's desire to end the Korean war and to fall in line with the world-wide Communist "peace offensive. "

Comment: Peiping Radio has also taken a milder tone toward the United States during the "peace offensive" and the Korean talks.

SOUTHEAST ASIA

9. Vietnamese officials fear impact of Korean armistice on Indochina:

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The Vietnamese premier and finance minister have expressed apprehension that a Korean armistice will result in an overwhelming popular demand in France for a negotiated peace in Indochina, according to the American embassy in Saigon.

In this connection, the embassy points out that the Viet Minh could easily propose that a plebiscite be held under neutral auspices to determine whether Vietnam remain in the French Union or become an independent republic. An honest election would undoubtedly result in a vote for independence and, in effect, deliver the country to Ho Chi Minh.

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10. Comment on Cambodian King's Flight to Thailand:

The King of Cambodia's decision to seek "asylum" in Thailand, professedly in order to make his position better known outside his country, brings relations between France and the Associated States much closer to a crisis. Unless the French soon make some dramatic political concession, native support for the war against Communism may be irretrievably lost could even be diverted eventually to the Viet Minh.

The King, obviously dissatisfied with the limited concessions recently offered by the French, has reiterated the demand of Vietnamese Premier Tam for membership in the French Union similar in status to that of the nations of the British Commonwealth. While Tam criticized the King's flight, he undoubtedly will exploit it in pressing the French to relinquish their controls in Vietnam. Nationalist elements in all three Associated States will be stimulated by the King's decision, thus increasing the urgency already felt by Indochinese leaders to move rapidly toward complete independence.

The King's flight will emphasize in the French Assembly the need to agree quickly on a new Premier and cabinet. In view of the rapidly increasing sentiment in France for some means of relieving its burden in Indochina, it is likely that the National Assembly will now be forced to accept broader concessions to the Associated States. It is probable that for the moment France will try to delay action, however, and that direct negotiations will not be undertaken until after the July meeting of the Council of the French Union.

It is now more possible that a definite promise of independence, with dominion status and at a specific date, will be forthcoming, but greater pressure for increased US financial aid and possibly a plea for support by American troops can be expected to accompany any such concession.

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NEAR EAST - AFRICA

11. Iraq requests US advice regarding Arab League defense proposals:

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[REDACTED] Iraqi foreign minister Suwaidi has asked Ambassador Berry whether Iraq should support the Arab League Collective Security Pact or whether it is better at this time for the individual Arab states to develop bilateral agreements with the Western nations. He said that Baghdad was proposing an Arab meeting on area defense in Cairo for 22 and 23 June.

When Berry inquired about the existence of Arab jealousies which might prevent agreement, Suwaidi replied that it was unrealistic to expect all the Arab states to join in creating an area defense system. He said that his government had already received intimations that Egypt was interested primarily in an Egyptian-Iraqi defense agreement, to which other Arab nations would later adhere.

Comment: Last March Iraq requested substantial American and British assistance in building up its defenses against the Soviet threat.

The Arabs generally have maintained that their own pact is preferable to any Western proposal. Their maneuvers in connection with the Cairo meeting again reveal, however, the strong antagonisms which threaten to delay if not prevent the realization of a joint Arab defense system.

12. Turkey and USSR reach agreement on joint irrigation project:

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[REDACTED] The Turkish minister of public works told parliament on 10 June that his government had agreed to accept a Soviet offer allowing Turkey to use the facilities of the Serdarabad dam on the Turkish-Soviet border. The dam would help irrigate northeastern Turkey, and Ankara would pay

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one half of the construction cost, which the USSR estimated at \$400,000.

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EASTERN EUROPE

13. Finnish government crisis reaching climax:

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The likelihood of the early fall of the Finnish cabinet has sharply increased as a result of the decision by Agrarian Party leaders to reject final Social Democratic proposals for a solution to Finland's current economic problems. The Agrarians will support the program suggested by Prime Minister Kekkonen who, following conversations with the president, will hold a meeting on 15 June with the Council of State.

Comment: It is expected that the cabinet crisis, which has arisen over proposed price and wage reductions, will reach a climax early this week. In the event the present government resigns, it appears likely that Kekkonen will be asked to head a new coalition government formed on the same basis -- Agrarians, Social Democrats and a minor party.

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15. Colombian Army Chief Assumes Presidency:

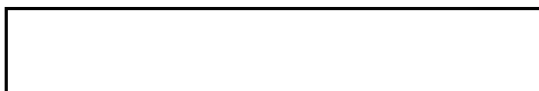
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Gustavo Rojas Pinilla, Commanding General of the Armed Forces, assumed the Presidency of Colombia at 10 p. m. on 13 June. Reportedly he has the backing of the armed forces, the police, and all elements of the Conservative Party, save the die-hard clique of ousted President Laureano Gomez.

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In a midnight speech to the nation, Rojas Pinilla announced that the army would take charge until a new government is organized. He promised that free elections would be held and that Colombia would honor its international obligations. He then appointed an all-Conservative cabinet of three military men and ten civilians, most of whom appear to be supporters of ex-President Ospina Perez, leader of the moderate faction of the Conservative Party.

Comment: The coup was precipitated by the sudden return to the Presidency by Gomez, who had been in retirement because of his health since November 1951, and his firing of General Rohas Pinilla. Thereupon, the army, remaining loyal to the latter carried out a bloodless coup.

The Gomez clique, the dominant faction in the Colombian government up to the time of the coup, represented the extreme right wing of the Conservative Party and was hardly representative of the Colombian people.

Rojas Pinilla's assumption of the Presidency appears to make Colombia's prospects for settling its guerrilla problem, ending its state-of-siege, and returning to political normalcy brighter than they have been at any time during the past three and one-half years.

Rojas Pinilla, formerly Colombia's representative on the Inter-American Defense Board in Washington, and most of the members of his Cabinet are known to be pro-American. This government can be expected to maintain the Colombian battalion in Korea.

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